

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saginaw County Building Authority	County Saginaw
Fiscal Year End September 30, 2006	Opinion Date February 6, 2007	Date Audit Report Submitted to State March 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

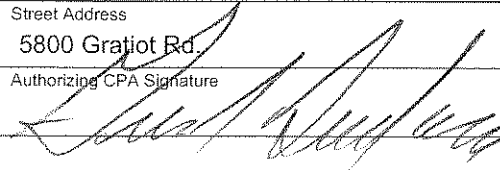
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments issued	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989) 799-9580	
Street Address 5800 Gratiot Rd.		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	Zip 48603
		License Number 1101007126	

County of Saginaw Building Authority,
A Component Unit of Saginaw County
Saginaw, Michigan

Basic Financial Statements

For the Year Ended
September 30, 2006

**COUNTY OF SAGINAW BUILDING AUTHORITY,
A COMPONENT UNIT OF SAGINAW COUNTY**

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

February 6, 2007

To the Board of Commissioners
County of Saginaw Building Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the **County of Saginaw Building Authority (the Authority)**, a component unit of Saginaw County, as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the County of Saginaw Building Authority as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,456,212	\$ 1,010,703	\$ 2,466,915
Receivables	4,912,624	269,311	5,181,935
Prepaid expenses	-	7,167	7,167
Inventory	-	41,938	41,938
Unamortized bond issue costs	-	92,145	92,145
Capital assets, net:			
Assets not being depreciated	-	18,614	18,614
Assets being depreciated	-	13,992,058	13,992,058
 Total assets	 <u>6,368,836</u>	 <u>15,431,936</u>	 <u>21,800,772</u>
 Liabilities			
Accounts payable	-	297,367	297,367
Accrued expenses	197,507	240,434	437,941
Due to primary government	-	63,754	63,754
Deposits payable	-	423,580	423,580
Unearned revenue	-	3,524	3,524
Unamortized premium / discount	-	18,276	18,276
Long-term liabilities:			
Due within one year	715,000	1,540,000	2,255,000
Due in more than one year	3,995,000	6,770,000	10,765,000
 Total liabilities	 <u>4,907,507</u>	 <u>9,356,935</u>	 <u>14,264,442</u>
 Net assets			
Invested in capital assets, net of related debt	-	5,700,672	5,700,672
Restricted for:			
Debt service	1,461,329	-	1,461,329
Unrestricted	-	374,329	374,329
 Total net assets	 <u>\$ 1,461,329</u>	 <u>\$ 6,075,001</u>	 <u>\$ 7,536,330</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Expenses	Program Revenues Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental activities:					
Interest on long-term debt	\$ 353,391	\$ 238,641	\$ (114,750)	\$ -	\$ (114,750)
Business-type activities:					
Administration	50,928	29,600	-	(21,328)	(21,328)
Event Center	4,787,127	3,220,951	-	(1,566,176)	(1,566,176)
Total business-type activities	4,838,055	3,250,551	-	(1,587,504)	(1,587,504)
Total primary government	<u>\$ 5,191,446</u>	<u>\$ 3,489,192</u>	(114,750)	(1,587,504)	(1,702,254)
General revenues:					
Property taxes			-	2,531,055	2,531,055
Grants and contributions not restricted to specific programs			-	138,239	138,239
Investment income - interest earned			54,439	23,973	78,412
Transfers			(4,000)	4,000	-
Total general revenues and transfers			50,439	2,697,267	2,747,706
Change in net assets			(64,311)	1,109,763	1,045,452
Net assets - beginning of year			1,525,640	4,965,238	6,490,878
Net assets - end of year			<u>\$ 1,461,329</u>	<u>\$ 6,075,001</u>	<u>\$ 7,536,330</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COUNTY OF SAGINAW BUILDING AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	911 Center	Sheriff Offices	Sheriff Wanigas Building
Assets			
Cash and cash equivalents	\$ 30,505	\$ 22,150	\$ 14,951
Prepaid expenditures	3,188	1,758	1,222
Due from other funds	-	-	-
Accrued interest receivable	118	84	57
Total assets	\$ 33,811	\$ 23,992	\$ 16,230
Liabilities and fund balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Fund balances			
Reserved for debt service	33,811	23,992	16,230
Total liabilities and fund balances	\$ 33,811	\$ 23,992	\$ 16,230

The accompanying notes are an integral part of these financial statements.

Jail Renovation Phase V	Probate Renovation II	Animal Control Building	MSU Extension Building	Health Building Renovation
\$ 317,662	\$ 265,970	\$ 253,323	\$ 121,966	\$ 40,247
-	-	-	-	2,432
-	-	-	-	-
1,105	927	880	425	149
\$ 318,767	\$ 266,897	\$ 254,203	\$ 122,391	\$ 42,828
\$ -	\$ -	\$ -	\$ -	\$ -
318,767	266,897	254,203	122,391	42,828
\$ 318,767	\$ 266,897	\$ 254,203	\$ 122,391	\$ 42,828

(Continued)

COUNTY OF SAGINAW BUILDING AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	Senior Activity Center	Courthouse Addition and Office Building Renovation	Jail Renovation
Assets			
Cash and cash equivalents	\$ -	\$ 75,643	\$ 11,777
Prepaid expenditures	2,243	6,835	1,047
Due from other funds	-	1,599	-
Accrued interest receivable	4	294	45
Total assets	\$ 2,247	\$ 84,371	\$ 12,869
Liabilities and fund balances			
Liabilities			
Due to other funds	\$ 1,599	\$ -	\$ -
Fund balances			
Reserved for debt service	648	84,371	12,869
Total liabilities and fund balances	\$ 2,247	\$ 84,371	\$ 12,869

The accompanying notes are an integral part of these financial statements.

Airport Improvements	Mental Health Group Homes	Mental Health OBRA Homes	Total Governmental Funds
\$ 27,157	\$ 143,446	\$ 131,415	\$ 1,456,212
2,452	6,798	-	27,975
-	-	-	1,599
103	456	470	5,117
<hr/>			
\$ 29,712	\$ 150,700	\$ 131,885	\$ 1,490,903

\$ -	\$ -	\$ -	\$ 1,599
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29,712	150,700	131,885	1,489,304
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\$ 29,712	\$ 150,700	\$ 131,885	\$ 1,490,903

COUNTY OF SAGINAW BUILDING AUTHORITY
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2006

Fund balances - total governmental funds	\$ 1,489,304
Amounts reported for governmental activities in the statement of net assets are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are either deferred or otherwise not recorded in the funds:	
Add - leases receivable	4,907,507
Deduct - prepayment of interest expense	(27,975)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:	
Deduct - bonds payable	(4,710,000)
Deduct - accrued interest on bonds payable	<u>(197,507)</u>
Net assets of governmental activities	<u><u>\$ 1,461,329</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	911 Center	Sheriff Offices	Sheriff Wanigas Building
Revenues			
Interest earned on investments	\$ 1,338	\$ 940	\$ 642
Rents and royalties	66,225	27,840	19,035
Total revenues	67,563	28,780	19,677
Expenditures			
Debt service:			
Principal	54,696	30,169	20,959
Interest and fiscal charges	8,016	4,422	3,072
Total expenditures	62,712	34,591	24,031
Revenues over (under) expenditures	4,851	(5,811)	(4,354)
Other financing sources (uses)			
Transfers out	(100)	(200)	(100)
Net change in fund balances	4,751	(6,011)	(4,454)
Fund balance, beginning of year	29,060	30,003	20,684
Fund balance, end of year	\$ 33,811	\$ 23,992	\$ 16,230

The accompanying notes are an integral part of these financial statements.

Jail Renovation Phase V		Probate Renovation II		Animal Control Building		MSU Extension Building		Health Building Renovation	
\$	11,599	\$	9,711	\$	9,249	\$	4,452	\$	1,696
	35,645		53,579		65,470		51,753		34,432
	47,244		63,290		74,719		56,205		36,128
	26,963		33,036		37,863		27,138		41,723
	33,876		41,508		47,571		34,095		6,115
	60,839		74,544		85,434		61,233		47,838
	(13,595)		(11,254)		(10,715)		(5,028)		(11,710)
	(300)		(400)		(400)		(300)		(300)
	(13,895)		(11,654)		(11,115)		(5,328)		(12,010)
	332,662		278,551		265,318		127,719		54,838
\$	318,767	\$	266,897	\$	254,203	\$	122,391	\$	42,828

(Continued)

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Senior Activity Center	Courthouse Addition and Office Building Renovation	Jail Renovation
Revenues			
Interest earned on investments	\$ 22	\$ 3,342	\$ 509
Rents and royalties	44,161	108,181	16,670
Total revenues	44,183	111,523	17,179
Expenditures			
Debt service:			
Principal	38,490	117,280	17,973
Interest and fiscal charges	5,641	17,189	2,634
Total expenditures	44,131	134,469	20,607
Revenues over (under) expenditures	52	(22,946)	(3,428)
Other financing sources (uses)			
Transfers out	-	(700)	(100)
Net change in fund balances	52	(23,646)	(3,528)
Fund balance, beginning of year	596	108,017	16,397
Fund balance, end of year	\$ 648	\$ 84,371	\$ 12,869

The accompanying notes are an integral part of these financial statements.

Airport Improvements	Mental Health Group Homes	Mental Health OBRA Homes	Total Governmental Funds
\$ 1,176	\$ 4,811	\$ 4,952	\$ 54,439
39,049	145,991	41,844	749,875
40,225	150,802	46,796	804,314
42,067	116,643	30,000	635,000
6,166	17,096	9,425	236,826
48,233	133,739	39,425	871,826
(8,008)	17,063	7,371	(67,512)
(300)	(600)	(200)	(4,000)
(8,308)	16,463	7,171	(71,512)
38,020	134,237	124,714	1,560,816
\$ 29,712	\$ 150,700	\$ 131,885	\$ 1,489,304

COUNTY OF SAGINAW BUILDING AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds	\$ (71,512)
--------------------------------------------------------	-------------

Amounts reported for governmental activities in the statement
of activities are different because:

Revenues in the funds that represent repayment of loans receivable do not affect the statement of activities	(511,234)
-----------------------------------------------------------------------------------------------------------------	-----------

Add - decrease in prepayment of interest expense	7,219
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	635,000
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Certain expenses reported in the statement of activities do not
require the use of current financial resources and therefore,
are not reported as expenditures in the funds.

Subtract - increase in accrued interest payable	<u>(123,784)</u>
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Change in net assets of governmental activities	<u><u>\$ (64,311)</u></u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2006

	Administration	Event Center	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 353,827	\$ 656,876	\$ 1,010,703
Accounts receivable	-	71,533	71,533
Taxes receivable	-	64,034	64,034
Accrued interest receivable	1,214	424	1,638
Due from primary government	-	132,106	132,106
Inventory	-	41,938	41,938
Prepaid expenses	-	7,167	7,167
Unamortized bond issue costs	-	92,145	92,145
Total current assets	355,041	1,066,223	1,421,264
Noncurrent assets - capital assets:			
Land	-	18,614	18,614
Buildings and improvements	-	14,000,235	14,000,235
Machinery and equipment	-	896,949	896,949
Office furniture and fixtures	-	61,201	61,201
Vehicles	-	29,518	29,518
Accumulated depreciation	-	(995,845)	(995,845)
Total noncurrent assets - capital assets	-	14,010,672	14,010,672
Total assets	355,041	15,076,895	15,431,936
Liabilities			
Current liabilities:			
Accounts payable	24,800	272,567	297,367
Accrued expenses	-	240,434	240,434
Due to primary government	-	63,754	63,754
Deposits payable	-	423,580	423,580
Unearned revenue	-	3,524	3,524
Unamortized premium / discount	-	18,276	18,276
Bonds payable - current	-	1,540,000	1,540,000
Total current liabilities	24,800	2,562,135	2,586,935
Noncurrent liabilities:			
Bonds payable	-	6,770,000	6,770,000
Total liabilities	24,800	9,332,135	9,356,935
Net assets			
Invested in capital assets, net of related debt	-	5,700,672	5,700,672
Unrestricted	330,241	44,088	374,329
Total net assets	\$ 330,241	\$ 5,744,760	\$ 6,075,001

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Administration	Event Center	Total
Operating revenues			
Charges for services	\$ 29,600	\$ 3,220,951	\$ 3,250,551
Other revenue	-	138,239	138,239
	<hr/>	<hr/>	<hr/>
Total operating revenues	29,600	3,359,190	3,388,790
	<hr/>	<hr/>	<hr/>
Operating expenses			
Personal services	699	1,176,797	1,177,496
Fringe benefits	-	261,138	261,138
Supplies	-	399,565	399,565
Services and charges	50,229	1,896,162	1,946,391
Other operating expenses	-	306,137	306,137
Amortization	-	13,836	13,836
Depreciation	-	382,426	382,426
	<hr/>	<hr/>	<hr/>
Total operating expenses	50,928	4,436,061	4,486,989
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(21,328)	(1,076,871)	(1,098,199)
	<hr/>	<hr/>	<hr/>
Nonoperating revenue (expenses)			
Property taxes	-	2,531,055	2,531,055
Interest income	12,198	11,775	23,973
Interest expense and fiscal charges	-	(351,066)	(351,066)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue (expenses)	12,198	2,191,764	2,203,962
	<hr/>	<hr/>	<hr/>
Income (loss) before transfers	(9,130)	1,114,893	1,105,763
	<hr/>	<hr/>	<hr/>
Transfers			
Transfers in	9,500	-	9,500
Transfers (out)	-	(5,500)	(5,500)
	<hr/>	<hr/>	<hr/>
Net transfers	9,500	(5,500)	4,000
	<hr/>	<hr/>	<hr/>
Change in net assets	370	1,109,393	1,109,763
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	329,871	4,635,367	4,965,238
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 330,241	\$ 5,744,760	\$ 6,075,001
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Administration	Event Center	Total
Cash flows from operating activities:			
Receipts from customers	\$ 29,471	\$ 3,176,793	\$ 3,206,264
Payments for interfund services provided	-	(134,816)	(134,816)
Payments to employees	(699)	(1,531,247)	(1,531,946)
Payments to suppliers	(32,244)	(2,547,437)	(2,579,681)
Other operating revenue	-	138,239	138,239
Net cash (used in) operating activities	(3,472)	(898,468)	(901,940)
Cash flows from noncapital financing activities:			
Property taxes	-	2,515,719	2,515,719
Transfers in	9,500	-	9,500
Transfers (out)	-	(5,500)	(5,500)
Net cash provided by noncapital financing activities	9,500	2,510,219	2,519,719
Cash flows from capital and related financing activities:			
Principal paid on bonds payable	-	(1,485,000)	(1,485,000)
Interest paid on bonds payable	-	(351,066)	(351,066)
Net cash (used in) capital and related financing activities	-	(1,836,066)	(1,836,066)
Cash flows from investing activities:			
Interest received	12,198	11,775	23,973
Net increase (decrease) in cash and cash equivalents	18,226	(212,540)	(194,314)
Cash and cash equivalents - beginning of year	335,601	869,416	1,205,017
Cash and cash equivalents - end of year	\$ 353,827	\$ 656,876	\$ 1,010,703

The accompanying notes are an integral part of these financial statements

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Administration	Event Center	Total
Cash flows from operating activities:			
Operating (loss)	\$ (21,328)	\$ (1,076,871)	\$ (1,098,199)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	-	382,426	382,426
(Increase) decrease in assets:			
Accounts receivable	-	(43,979)	(43,979)
Accrued interest receivable	(129)	41	(88)
Due from primary government	-	(8,135)	(8,135)
Due from other governmental units	-	-	-
Inventory	-	641	641
Prepaid expenses	-	29,804	29,804
Unamortized bond issue costs	-	17,268	17,268
Increase (decrease) in liabilities:			
Accounts payable	17,985	93,173	111,158
Accrued expenses	-	(93,312)	(93,312)
Due to primary government	-	(126,681)	(126,681)
Deposits payable	-	(69,191)	(69,191)
Unearned revenue	-	(220)	(220)
Unamortized premium	-	(3,432)	(3,432)
Net cash (used by) operating activities	\$ (3,472)	\$ (898,468)	\$ (901,940)

The accompanying notes are an integral part of these financial statements

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *County of Saginaw Building Authority* (“the Authority”) was incorporated by the County of Saginaw (the “County”) on August 1, 1972 under the provisions of Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended. The purpose of the Authority is to acquire, furnish, equip, own, improve, enlarge, operate and maintain buildings, automobile parking lots or structures and the necessary site or sites for the use of any legitimate public purpose of the County of Saginaw.

A. Reporting Entity

These financial statements represent the financial condition and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Authority reports the following major governmental funds:

Debt Service Funds:

- 911 Center
- Sheriff Offices
- Sheriff Wanigas Building
- Jail Renovation Phase V
- Probate Renovation II
- Animal Control Building
- MSU Extension Building
- Health Building Renovation
- Senior Activity Center
- Courthouse Addition and Office Building Renovation
- Jail Renovation
- Airport Improvements
- Mental Health Group Homes
- Mental Health OBRA Homes

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Authority reports the following major proprietary funds:

The *Administration fund* accounts for maintenance charges of the debt service funds.

The *Event Center fund* accounts for the operations of the Dow Event Center.

Debt Service funds account for the accumulation of resources for, and the payment of interest and principal on bonded debt.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the event center are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

2. Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Leases Receivable

The Authority has entered into various lease agreements with the County and other governments for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County or other government.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, Accounting for Leases, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Building and improvements	5-45 years
Machinery and equipment	3-10 years

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

7. Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

At year-end, the carrying amounts and bank balance of the Authority's deposits were as follows:

	Cash and Cash <u>Equivalents</u>
Cash on hand	\$ 41,866
Checking accounts	132,392
Other demand accounts	465,816
Cash on deposit with Saginaw County internal cash management pool	<u>1,826,841</u>
	<u>\$2,466,915</u>

This entire balance is considered to be deposits for disclosure purposes.

Deposit and investment risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

Interest Rate Risk. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. At year-end, the Authority had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, The Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. At year-end, \$439,224 of the Authority's bank balance of \$557,670 was exposed to custodial credit risk because it was uninsured and uncollateralized. FDIC coverage cannot be determined for deposits with the County.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, The Authority had no investments and was therefore, not exposed to concentration of credit risk.

B. Receivables

Receivables in the primary government are as follows:

	Governmental Activities	Business-type Activities
Accounts	\$ -	\$ 71,533
Taxes	-	64,034
Due from primary government	-	132,106
Leases		
Due within one year	912,507	-
Due after one year	3,995,000	-
Interest	<u>5,117</u>	<u>1,638</u>
	<u>\$ 4,912,624</u>	<u>\$ 269,311</u>

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Capital Assets

Capital assets activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 18,614	\$ -	\$ -	\$ 18,614
Capital assets being depreciated:				
Buildings and improvements	14,000,235	-	-	14,000,235
Machinery and equipment	896,949	-	-	896,949
Office furniture and fixtures	61,201	-	-	61,201
Vehicles	<u>29,518</u>	<u>-</u>	<u>-</u>	<u>29,518</u>
Total capital assets being depreciated	<u>14,987,903</u>	<u>-</u>	<u>-</u>	<u>14,987,903</u>
Less accumulated depreciation				
Buildings and improvements	(530,546)	(317,529)	-	(848,075)
Machinery and equipment	(72,111)	(55,674)	-	(127,785)
Office furniture and fixtures	(3,874)	(3,320)	-	(7,194)
Vehicles	<u>(6,888)</u>	<u>(5,903)</u>	<u>-</u>	<u>(12,791)</u>
Total accumulated depreciation	<u>(613,419)</u>	<u>(382,426)</u>	<u>-</u>	<u>(995,845)</u>
Total capital assets being depreciated, net	<u>14,374,484</u>	<u>(382,426)</u>	<u>-</u>	<u>13,992,058</u>
Business-type activities capital assets, net	<u>\$ 14,393,098</u>	<u>\$ (382,426)</u>	<u>\$ -</u>	<u>\$14,010,672</u>

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:

Event Center	\$ <u>382,426</u>
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D. Interfund Receivables, Payables and Transfers

The interfund payable balance of \$1,599 in the Senior Activity Center Debt Service Fund results from a negative cash position that required the Courthouse Addition and Office Building Renovation Debt Service Fund to cover the negative cash position and record a corresponding interfund receivable.

<u>Transfer from</u>	<u>Transfer to Administration</u>
911 Center	\$ 100
Sheriff Offices	200
Sheriff Wanigas Building	100
Jail Renovation Phase V	300
Probate Renovation II	400
Animal Control Building	400
MSU Extension Building	300
Health Building Renovation	300
Courthouse Addition & Office Building Renovation	700
Jail Renovation	100
Airport Improvements	300
Mental Health Group Homes	600
Mental Health OBRA Homes	200
Event Center	<u>5,500</u>
Total	\$ <u>9,500</u>

Transfers are made to move unrestricted revenue to the Administration Enterprise Fund in order to finance administrative costs related to operations of the Building Authority.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

E. Long-term Debt

The Authority issues general obligation bonds to provide funds for the construction and acquisition of major capital facilities. The original amount of general obligation bonds issued in prior years was \$21,360,000. No new general obligation bonds were issued during the year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
1995 revenue bonds	2.75-5.75%	\$ 260,000
1999 revenue bonds	4.50-6.50%	2,850,000
2002 revenue bonds – refunding of 1993 revenue bonds	3.0-4.0%	1,600,000
Business-type activities:		
2002 revenue bonds	1.23-4.0%	<u>8,310,000</u>
		<u>\$ 13,020,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 715,000	\$ 208,350	\$ 1,540,000	\$ 322,638
2008	725,000	181,650	1,595,000	266,812
2009	785,000	152,550	1,655,000	207,000
2010	230,000	117,275	1,725,000	140,800
2011	255,000	104,388	1,795,000	71,800
2012-2016	1,050,000	370,688	-	-
2017-2019	<u>950,000</u>	<u>87,375</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,710,000</u>	<u>\$ 1,222,276</u>	<u>\$ 8,310,000</u>	<u>\$1,009,050</u>

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Long-term liability activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Additions	Ending Reductions	Balance	Due within One Year
Governmental activities:					
General obligation bonds	\$ <u>5,345,000</u>	\$ <u>-</u>	\$ <u>(635,000)</u>	\$ <u>4,710,000</u>	\$ <u>715,000</u>
Business-type activities					
General obligation bonds	\$ <u>9,795,000</u>	\$ <u>-</u>	\$ <u>(1,485,000)</u>	\$ <u>8,310,000</u>	\$ <u>1,540,000</u>

III. OTHER INFORMATION

A. Related Party Activity

Under statutes of the State of Michigan, the Board of Commissioners of the County of Saginaw appoints the Board of the Building Authority. Also, a significant amount of the financial activity of the Building Authority represents receipts from and disbursements to various departments of the County of Saginaw.

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